



United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-275494

August 25, 1997

Congressional Committees

Subject: 1998 DOD Budget: DOD's Procurement and RDT&E Programs

We examined the Department of Defense's (DOD) fiscal year 1998 budget request and prior years' appropriations for selected procurement and research, development, test, and evaluation (RDT&E) programs. Our objective was to identify potential reductions in the fiscal year 1998 budget request and potential rescissions to prior years' appropriations.

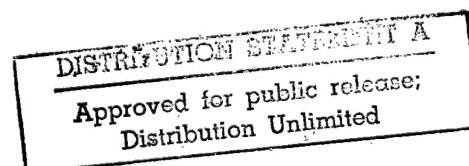
**This letter summarizes and updates information provided to your staffs from April through June 1997. It does not reflect any adjustments that may have been taken by the Committees on Authorization and Appropriations during their reviews of the fiscal year 1998 defense budget request. We have not acknowledged these Committees' actions because, in some cases, House and Senate actions have varied and conference actions are still pending.**

We identified opportunities to reduce DOD's fiscal year 1998 procurement and RDT&E requests by \$772.6 million and to rescind about \$608.5 million in procurement and RDT&E appropriations. These reductions and/or rescissions can be made primarily because schedules slipped, requirements changed, and issues affecting program funding have emerged since the fiscal year 1998 budget request was developed. The potential rescissions include about \$31.4 million in prior years' appropriations for which obligational authority will expire on September 30, 1997. During the early portion of our review, we identified \$230 million available from prior years' appropriations that was subsequently rescinded in the fiscal year 1997 Emergency Supplemental Act. These funds are excluded from the amounts shown in this letter.

DTIC QUALITY INSPECTED 2,

19970903 079

GAO/NSIAD-97-212R 1998 Defense Budget



PROCUREMENT APPROPRIATIONS

As shown in table 1, we identified about \$489.3 million in potential reductions to DOD's fiscal year 1998 procurement budget requests and \$570.9 million in potential rescissions from DOD's prior years' procurement appropriations.

Table 1: Potential Reductions and Rescissions to Procurement Programs

Dollars in millions

	Potential fiscal year 1998 reductions	Potential prior year rescissions
Army	\$165.822	\$6.000
Navy	0.241	44.534
Air Force	272.040	520.380
Defense-wide	51.185	0
Total	\$489.288	\$570.914

The potential rescissions from prior years' procurement appropriations include \$301.3 million in fiscal year 1997 funds, \$259.7 million in fiscal year 1996 funds, and \$9.9 million in expiring fiscal year 1995 funds.

Details regarding the potential reductions and rescissions for procurement programs are provided in enclosure I.

RDT&E APPROPRIATIONS

As shown in table 2, we identified \$283.3 million in potential reductions to DOD's fiscal year 1998 RDT&E budget requests and \$37.6 million in potential rescissions from DOD's prior years' RDT&E appropriations.

Table 2: Potential Reductions and Rescissions to RDT&amp;E Programs

Dollars in millions

	Potential fiscal year 1998 reductions	Potential prior year rescissions
Army	\$24.855	\$4.775
Navy	64.113	0
Air Force	39.300	11.300
Defense-wide	155.000	21.500
Total	\$283.268	\$37.575

Potential rescissions from prior years' RDT&E appropriations include \$21.5 million from expiring fiscal year 1996 funds.

Details regarding the potential reductions and rescissions to RDT&E programs are provided in enclosure II.

#### AGENCY COMMENTS

Commenting orally on a draft of this letter, DOD disagreed with many of the potential reductions and rescissions identified. In many instances DOD believed that the funds could be used for other requirements. We have incorporated DOD's comments on specific programs throughout the letter and enclosures I and II.

#### SCOPE AND METHODOLOGY

To identify potential reductions and rescissions, we focused on unobligated funds and funds on withhold in addition to program cost, schedule, and performance issues. We examined expenditure documents to determine whether requests were adequately justified and whether unobligated funds from prior appropriations were still needed for the purposes requested. We conducted our review from October 1996 to June 1997 in accordance with generally accepted government auditing standards. Enclosure III provides more information regarding our scope and methodology.

-----

B-275494

We are sending copies of this letter to the Secretaries of Defense, the Army, the Navy, and the Air Force and the Director, Office of Management and Budget. We will also make copies available to others upon request.

This letter was prepared under the direction of Louis J. Rodrigues, Director, Defense Acquisitions Issues, who may be reached on (202) 512-4841 if you or your staffs have any questions. Other major contributors are listed in enclosure IV.

A handwritten signature in cursive script, appearing to read "Henry L. Hinton, Jr.", written in dark ink.

Henry L. Hinton, Jr.  
Assistant Comptroller General

Enclosures - 4

List of Congressional Committees

The Honorable Strom Thurmond  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Ted Stevens  
Chairman  
The Honorable Daniel K. Inouye  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Floyd D. Spence  
Chairman  
The Honorable Ronald V. Dellums  
Ranking Minority Member  
Committee on National Security  
House of Representatives

The Honorable C. W. Bill Young  
Chairman  
The Honorable John P. Murtha  
Ranking Minority Member  
Subcommittee on National Security  
Committee on Appropriations  
House of Representatives

## CONTENTS

Letter	1
Enclosure I Potential Reductions and Rescissions to Procurement Programs	9
Enclosure II Potential Reductions and Rescissions to Research, Development, Test, and Evaluation Programs	34
Enclosure III Scope and Methodology	47
Enclosure IV Major Contributors to This Letter	48
Tables	
Table 1: Potential Reductions and Rescissions to Procurement Programs	2
Table 2: Potential Reductions and Rescissions to RDT&E Programs	3
Table I.1: Potential Reductions and Rescissions to Procurement Programs	9
Table I.2: Potential Reductions and Rescissions to Army Procurement Programs	10
Table I.3: Potential Reductions and Rescissions to Army Missile Procurement Programs	10
Table I.4: Potential Reductions and Rescissions to Army Other Procurement Programs	14
Table I.5: Potential Reductions and Rescissions to Navy Procurement Programs	17

Table I.6: Potential Reductions and Rescissions to Navy Weapons Procurement Programs	17
Table I.7: Potential Rescissions to Navy Shipbuilding and Conversion Programs	18
Table I.8: Potential Reductions and Rescissions to Air Force Procurement Programs	19
Table I.9: Potential Reductions and Rescissions to Air Force Aircraft Procurement Programs	20
Table I.10: Potential Reductions to Air Force Ammunition Procurement Programs	26
Table I.11: Potential Reductions and Rescissions to Air Force Missile Procurement Programs	28
Table I.12: Potential Reduction to Defense-wide Procurement Programs	32
Table II.1: Potential Reductions and Rescissions to RDT&E Programs	34
Table II.2: Potential Reductions and Rescissions to Army RDT&E Programs	35
Table II.3: Potential Reductions to Navy RDT&E Programs	37
Table II.4: Potential Reductions and Rescissions to Air Force RDT&E Programs	40
Table II.5: Potential Reductions and Rescissions to Defense-wide RDT&E Programs	43

---

## Abbreviations

DOD	Department of Defense
RDT&E	research, development, test, and evaluation



POTENTIAL REDUCTIONS AND RESCISSIONS  
TO PROCUREMENT PROGRAMS

The Department of Defense (DOD) requested \$42.6 billion in procurement funding for fiscal year 1998. As shown in table I.1, our review of selected budget line items in the request and prior years' appropriations identified potential reductions of about \$489.3 million to fiscal year 1998 requests; potential rescissions of about \$301.3 million and \$259.7 million from fiscal year 1997 and 1996 appropriations, respectively; and \$9.9 million in potential rescissions from expiring fiscal year 1995 appropriations.

Table I.1: Potential Reductions and Rescissions to Procurement Programs

Dollars in millions

	Fiscal year 1998		Potential rescission		
	Request <sup>a</sup>	Potential reduction	Fiscal year 1997	Fiscal year 1996	Fiscal year 1995
Army	\$642.152	\$165.822	\$6.000	0	0
Navy	0.241	0.241	1.100	\$43.434	0
Air Force	3,833.587	272.040	294.200	216.300	\$9.880
Defense-wide	96.592	51.185	0	0	0
Total	\$4,572.572	\$489.288	\$301.300	\$259.734	\$9.880

<sup>a</sup>This is the amount requested for budget line items for which we have identified a potential reduction.

ARMY PROCUREMENT PROGRAMS

The Army requested \$6.8 billion for procurement programs in fiscal year 1998. As shown in table I.2, we identified potential reductions of about \$165.8 million to the fiscal year 1998 request and potential rescissions of \$6 million from fiscal year 1997 appropriation. We did not identify any rescissions from the fiscal year 1996 appropriation.

## ENCLOSURE I

## ENCLOSURE I

Table I.2: Potential Reductions and Rescissions to Army Procurement Programs

Dollars in millions

Procurement appropriation	Fiscal year 1998		Potential rescission (fiscal year 1997)
	Request <sup>a</sup>	Potential reduction	
Missile	\$605.808	\$138.223	0
Other	36.344	27.599	\$6.000
Total	\$642.152	\$165.822	\$6.000

<sup>a</sup>This is the amount requested for budget line items for which we have identified a potential reduction.

Missile Procurement, Army

The Army requested \$1.2 billion for all its missile procurement programs in fiscal year 1998. As shown in table I.3, we identified potential reductions of about \$138.2 million to the fiscal year 1998 request for four of these line items. We did not identify any potential rescissions in prior years' appropriations.

Table I.3: Potential Reductions and Rescissions to Army Missile Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998	
		Request	Potential reduction
3	Hellfire System Summary	\$279.700	\$43.765
4	Javelin (AAWS-M) Missile System	143.100	1.400
9	Army Tactical Missile System (ATACMS) (Multiyear Procurement)	97.800	10.770
12	Brilliant Anti-Armor Submunition	85.208	82.288
	Total	\$605.808	\$138.223

Hellfire System Summary (Line 3)

The Army's fiscal year 1998 budget request of \$279.7 million for the Hellfire system can be reduced by \$43.8 million because fiscal year 1998 requirements are overstated by \$38.3 million and \$5.5 million in prior year funds are available to meet fiscal year 1998 program requirements.

Our May 1997 report indicated that the Army had miscalculated the number of Longbow Hellfire missiles needed and recommended that until the Army restructures its program to correct for the overstated requirement, procurement levels should not be increased beyond its fiscal year 1997 level. DOD commented that it would not finalize its position on the missile until the fiscal year 1999 budget submission. The total program quantities are overstated by as much as 8,300 missiles.<sup>1</sup> By reducing the fiscal year 1998 procurement by 409 missiles—to the fiscal year 1997 procurement level—\$38.3 million can be reduced from the fiscal year 1998 budget request. DOD questioned the methodology we used to determine the recommended reductions in the missile quantities. We continue to maintain that the information in our report is accurate and, therefore, that the reduction is still warranted.

In addition, the program office has \$5.5 million in unobligated fiscal year 1997 and 1996 funds—\$4.7 million and \$755,000, respectively. These unobligated funds include \$1.5 million requested for anticipated Laser Hellfire missile engineering change orders and \$3.2 million originally requested for the Longbow missile cost reduction plan. This missile is in its last year of procurement, and it has not had an engineering change order that increased contract cost since 1995. DOD stated that the \$3.2 million was obligated; however, it provided no additional documentation to support its position. Therefore, we continue to believe the \$5.4 million in prior year funds can be used to offset the fiscal year 1998 budget request.

Army program officials stated that reducing the fiscal year 1998 Longbow missile quantities at this time would preempt the Army Acquisition Executive's full rate production decision in October 1997. They also stated that the Laser Hellfire missile's engineering change order money needs to be retained until the last missiles are delivered in September 1998 and that the excess money requested for the Longbow missile's cost reduction plan is needed to fund unanticipated additional fiscal year 1997 contractor costs.

---

<sup>1</sup>Army Acquisition: Longbow Hellfire Missile Procurement Quantities Significantly Overstated (GAO/NSIAD-97-93, May 14, 1997).

## ENCLOSURE I

## ENCLOSURE I

In response, we offer the following observations. In light of the significant Longbow missile requirement overstatement, holding the production quantities steady until a final decision is made is reasonable. In addition, the Laser Hellfire missile's proven design stability over the last 3 years supports our position of reducing the engineering change order funding. Finally, the Army's proposed use of the cost reduction plan funding to pay for contractor production costs is not the purpose for which it was originally requested and sufficient other unobligated funds remain to pay for these costs. Therefore, the proposed reductions are still warranted.

### Javelin (AAWS-M) Missile System (Line 4)

The Army's fiscal year 1998 budget request of \$143.1 million for the Javelin system can be reduced by \$1.4 million because the agency does not have a requirement for the funds. Javelin program management officials said the additional funds were requested because a higher command withheld funds from their 1997 appropriation to fund such general initiatives as acquisition work force reform and antiterrorism. According to the project office, the funds are not planned to meet program requirements. Since these funds are not needed for the program, the fiscal year 1998 budget request can be reduced by \$1.4 million.

### Army Tactical Missile System (ATACMS) (Multiyear Procurement) (Line 9)

The Army's fiscal year 1998 budget request of \$97.8 million for the Army Tactical Missile system can be reduced by \$10.8 million because fiscal year 1998 requirements are overstated by \$6.4 million and \$4.4 million in prior year funds is available to meet fiscal year 1998 program requirements.

After the block IA missile experienced problems during operational testing and the fiscal year 1998 budget request was prepared, the program office restructured its acquisition strategy to slow down procurement and eliminate the planned multiyear contract. As a result, the Army plans to reduce its fiscal year 1998 procurement by 53 missiles, from 153 to 100, maintaining production at approximately the fiscal year 1997 level. Unit cost estimates from the fiscal year 1997 contract indicate the fiscal year 1998 contract should be about \$6.4 million less than planned. Program officials stated that they believe the proposed reduction would result in insufficient funds to procure the remaining 100 missiles because they do not believe that the contractor would maintain the fiscal year 1997 unit price for the reduced number of missiles. However, the Army has favorably negotiated reduced contract costs over the last 2 years and has provided no basis to indicate contract costs would not remain similar or fiscal year 1998. Consequently, the fiscal year 1998 budget request can be reduced by \$6.4 million.

Program officials stated that the fiscal year 1997 contract was negotiated for \$2.4 million less than budgeted. Also, \$2 million in unobligated fiscal year 1996 funds is available due to favorable contract negotiations. The program office wants to use these funds for investigating problems and testing. However, the fiscal year 1997 and 1996 funds can be used to offset the fiscal year 1998 budget request.

Brilliant Anti-Armor Submunition (Line 12)

The Army's fiscal year 1998 budget request of \$85.2 million for the Brilliant Anti-Armor submunition can be reduced by \$82.3 million because commitment to low-rate production is premature. The fiscal year 1998 budget request includes \$82.3 million for the January 1998 award of the first low-rate initial production contract and related production costs.

Our ongoing review of the program shows that the system is experiencing repeated testing failures and schedule slips, has an extremely ambitious test schedule to complete before the scheduled production decision, and will not demonstrate a critical performance parameter before that decision. In addition, our analysis shows that the low-rate initial production contract award is scheduled to be made at least 8 months earlier than necessary to have its deliveries coincide with its carrier, the Army Tactical Missile System Block II. Our analysis also shows that considering production lead time and delivery requirements, the contract does not need to be awarded until September 1998. Furthermore, the submunition's carrier is also faced with resolving a significant problem that was identified during initial operational testing of its Block I variant. If the missile's schedule is delayed by even 1 month, the submunition's contract award could be delayed until at least October 1998. Considering the level of repeated testing failures still being experienced, the significant amount of testing remaining, the performance parameters not to be demonstrated, and the missile problem needing to be resolved, delaying the submunition's production decision until fiscal year 1999 would be reasonable. This delay would allow the Army additional time to correct deficiencies and properly test the submunition with its carrier.

Army program officials acknowledge the repeated testing failures and admit that the current schedule is extremely ambitious, but have not adjusted the low-rate production decision. Program office representatives provided information showing that they believe a delayed decision would increase development and procurement costs in fiscal year 1999 by about \$70 million. However, they agreed that if the system did not complete its testing, they would have to revise the schedule and ask for the additional funding. Therefore, the \$82.3 million can be reduced from the fiscal year 1998 budget request.

Other Procurement, Army

The Army requested \$2.5 billion for other procurement programs in fiscal year 1998. As shown in table I.4, we identified potential reductions of about \$27.6 million to the fiscal year 1998 request for four line items and a potential rescission of \$6 million from fiscal year 1997 appropriation. We did not identify any potential rescissions in the fiscal year 1996 appropriation.

Table I.4: Potential Reductions and Rescissions to Army Other Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1997)
		Request	Potential reduction	
10	Armored Security Vehicles (Combat Support)	\$9.470	\$9.000	0
96	Maneuver Control System (MCS)	15.699	15.699	\$6.000
149	Items Less Than \$2.0 Million (Petroleum, Oil, and Lubricants)	6.275	2.000	0
187	System Fielding Support	4.900	0.900	0
	Total	\$36.344	\$27.599	\$6.000

Armored Security Vehicles (Combat Support) (Line 10)

The Army's fiscal year 1998 budget request of \$9.5 million for Armored Security Vehicles can be reduced by \$9 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements. DOD is withholding these funds, added to the program last year, for potential reprogramming. Program officials stated that these funds are needed to procure 24 additional vehicles. However, the vehicles were not of sufficient priority to have been included in the President's 1997 budget request. Since DOD does not plan to use the \$9 million for the procurement effort in fiscal year 1997, this amount can be used to offset the fiscal year 1998 budget request if the funds are not reprogrammed.

Program officials agreed with the facts but reiterated that the funds are needed.

Maneuver Control System (MCS) (Line 96)

The Army's fiscal year 1998 budget request of \$15.7 million to buy computers for the Maneuver Control System training base can be denied and \$6 million in unobligated fiscal year 1997 funds can be rescinded because operational testing has not been completed and the system does not meet the criteria necessary to qualify for low-rate initial production.

The system's version 10 software was fielded without prior operational testing. The version 11 software was canceled in 1993 because of developmental problems and cost growth. After program restructuring, work began on version 12.01, but its scheduled November 1995 operational test slipped to November 1996; the operational test was later downgraded to a limited user test. In September 1996, a contract was awarded to a different contractor to develop version 12.1 software, resulting in concurrent development of two versions. The system's initial operational test is now scheduled for March 1998.

According to Army and DOD officials, the Army cannot procure the computers under low-rate initial production because their intended use does not comply with the legally authorized reasons for entering low-rate initial production.<sup>2</sup> According to Army officials, they plan to reprogram the \$6 million in fiscal year 1997 funds to the Automated Data Processing Equipment line item and to request Congress to reprogram the \$15.7 million budget request to the same line item to procure the computers.

Originally, the system production decision, now planned for September 1998, was to occur before the computers were acquired. But program officials said that they need to provide the training base systems before operational testing because the systems are to be used not only for the Maneuver Control System specific training but also for training for the larger Army Battle Command System—of which the Maneuver Control System is a major component. They also said the system course curricula need to be developed and noted that equipping the training base before completion of operational testing would avoid a 2-year lag between the completion of operational testing and the

---

<sup>2</sup>By statute, 10 U.S.C. 2399, a major defense acquisition program may not proceed beyond low-rate initial production until initial operational test and evaluation of the program is completed. The law states that low-rate initial production of systems is to produce the minimum quantity necessary to (1) provide production-configured or representative articles for operational test and evaluation, (2) establish an initial production base for the system, and (3) permit an orderly increase in the production rate for the system sufficient to lead to full-rate production upon the successful completion of operational test and evaluation.



graduation of system trained students. However, the Army has fielded 81 computers to the training base that can be used for developing course curricula and for training purposes until a full-rate production decision has been made. Since operational testing has not been completed and computers are available to initiate curricula development and training, the fiscal year 1998 budget request can be denied if the Army's request to reprogram the fiscal year 1998 budget request to allow the computer buy is denied. Also, \$6 million in fiscal year 1997 funds can be rescinded.

Items Less Than \$2.0 Million (Petroleum, Oil, and Lubricants) (Line 149)

The Army's fiscal year 1998 budget request of \$6.3 million for items less than \$2 million (petroleum, oil, and lubricants) can be reduced by \$2 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

DOD is withholding \$2 million for potential reprogramming. Army officials stated that these funds are needed to procure 500 external fuel carrying bladder kits for the Abrams tanks. However, the kits were not of sufficient priority to have been included in the President's 1997 budget request. Army officials agreed with the facts but reiterated that the funds are needed for the kits. Since DOD does not plan to use the \$2 million to procure the kits in fiscal year 1997, this amount can be used to offset the fiscal year 1998 budget request if the funds are not reprogrammed. DOD agreed that these funds were available.

System Fielding Support (Line 187)

The Army's fiscal year 1998 budget request of \$4.9 million for system fielding support can be reduced by \$900,000 because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements. The Army Materiel Command placed these funds on withhold. According to DOD, these funds were released for other requirements; however, it provided no documentation to support this position. Since the funds are not being used for system fielding support, they can be used to offset the fiscal year 1998 budget request.

NAVY PROCUREMENT PROGRAMS

The Navy requested \$18.2 billion for procurement programs for itself and the Marine Corps in fiscal year 1998. As shown in table I.5, we identified potential reductions of \$241,000 to the fiscal year 1998 request and potential rescissions of \$1.1 million from the fiscal year 1997 appropriation and \$43.4 million from the fiscal year 1996 appropriation.



## ENCLOSURE I

## ENCLOSURE I

Table I.5: Potential Reductions and Rescissions to Navy Procurement Programs

Dollars in millions

Procurement appropriation	Fiscal year 1998		Potential rescission (fiscal year 1997)	Potential rescission (fiscal year 1996)
	Request <sup>a</sup>	Potential reduction		
Weapons	\$0.241	\$0.241	\$1.100	0
Shipbuilding and Conversion	0	0	0	\$43.434
Total	\$0.241	\$0.241	\$1.100	\$43.434

<sup>a</sup>This is the amount requested for budget line items for which we have identified a potential reduction.Weapons Procurement, Navy

The Navy requested \$1.1 billion for weapons procurement programs in fiscal year 1998. As shown in table I.6, we identified a potential reduction of \$241,000 to the fiscal year 1998 request and a potential rescission of \$1.1 million from the fiscal year 1997 appropriation. We did not identify any potential rescissions from the fiscal year 1996 appropriation.

Table I.6: Potential Reductions and Rescissions to Navy Weapons Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1997)
		Request	Potential reduction	
33	5/54 Gun Mount Modifications	\$0.241	\$0.241	\$1.100
	Total	\$0.241	\$0.241	\$1.100

5/54 Gun Mount Modifications (Line 33)

The Navy's fiscal year 1998 budget request of \$241,000 for the 5/54 gun mount modifications can be denied because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements. In addition, \$1.1 million of the fiscal year 1997 appropriation can be rescinded because the funds are excess to program requirements.

According to the Navy, the \$1.3 million in fiscal year 1997 funds on withhold is excess to fiscal year 1997 program requirements and may be a potential reprogramming

source for an anticipated military pay shortfall. The program office agreed that these funds are not required for the modifications and can be used for higher priority items. Since the funds are not needed for the modification, \$200,000 can be used to offset the fiscal year 1998 budget request and the remaining \$1.1 million can be rescinded. DOD agreed that these funds are available.

### Shipbuilding and Conversion, Navy

The Navy requested \$7.4 billion for shipbuilding and conversion programs in fiscal year 1998. As shown in table I.7, we did not identify potential reductions to the fiscal year 1998 request or potential rescissions in the fiscal year 1997 appropriation. However, we did identify potential rescissions of \$43.4 million from the fiscal year 1996 appropriation for two line items.

Table I.7: Potential Rescissions to Navy Shipbuilding and Conversion Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1996)
		Request	Potential reduction	
18	Fast Patrol Craft	0	0	\$9.155
20	AFS (C)	0	0	34.279
	Total	0	0	\$43.434

### Fast Patrol Craft (Line 18)

Of the Navy's fiscal year 1996 appropriation for the Fast Patrol Craft, \$9.2 million can be rescinded because these funds are excess to program requirements. The Navy did not request fiscal year 1997 or 1998 funds for this program.

The Navy is withholding the \$9.2 million that was added to the Navy's fiscal year 1996 appropriation for a Fast Patrol Craft. According to Navy budget documents and the Navy's official position, the fiscal year 1996 funds for a Fast Patrol Craft were excess to program requirements and their reprogramming has been requested. Since these funds will not be used to acquire a Fast Patrol Craft, they can be rescinded if they are not reprogrammed.

AFS (C) (Line 20)

Of the Navy's fiscal year 1996 appropriation for the AFS (C) program, \$34.3 million can be rescinded because these funds will not be used as planned for underway ammunition replenishment. The Navy did not request funds for the program in fiscal years 1997 and 1998.

The Navy reprogrammed some of the fiscal year 1996 program funds to the ammunition ship conversion program. According to the Navy, the \$34.3 million on withhold is not needed for the program and their reprogramming has been requested. Since these fiscal year 1996 funds will not be used for the conversion program, they can be rescinded if they are not reprogrammed.

DOD did not agree with the reduction. It said that \$33 million in fiscal year 1997 shipbuilding and conversion funds was rescinded in the fiscal year 1997 Emergency Supplemental Appropriations Act, and the rescission was assessed against this program. It did not provide additional information or documentation to support its position that this program was the source of funds.

AIR FORCE PROCUREMENT PROGRAMS

The Air Force requested \$15.3 billion for procurement programs in fiscal year 1998. As shown in table I.8, we identified potential reductions of \$272 million to the fiscal year 1998 request and potential rescissions of \$294.2 million from the fiscal year 1997 appropriation, \$216.3 million from the fiscal year 1996 appropriation, and \$9.9 million from the expiring fiscal year 1995 appropriation.

Table I.8: Potential Reductions and Rescissions to Air Force Procurement Programs

Dollars in millions

Procurement appropriation	Fiscal year 1998		Potential rescission		
	Request <sup>a</sup>	Potential reduction	Fiscal year 1997	Fiscal year 1996	Fiscal year 1995
Aircraft	\$2,721.033	\$117.932	\$294.200	\$216.300	\$1.321
Ammunition	81.178	28.549	0	0	0
Missile	1,031.376	125.559	0	0	8.559
Total	\$3,833.587	\$272.040	\$294.200	\$216.300	\$9.880

<sup>a</sup>This is the amount requested for budget line items for which we have identified a potential reduction.

Aircraft Procurement, Air Force

The Air Force requested \$5.8 billion for aircraft procurement programs in fiscal year 1998. As shown in table I.9, we identified potential reductions of about \$117.9 million to the fiscal year 1998 request for eight line items and potential rescissions of \$294.2 million from the fiscal year 1997 appropriation for four line items, \$216.3 million from the fiscal year 1996 appropriation for two line items, and \$1.3 million from the expiring fiscal year 1995 appropriation for another one line item.

Table I.9: Potential Reductions and Rescissions to Air Force Aircraft Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1997)	Potential rescission (fiscal year 1996)	Potential rescission (fiscal year 1995)
		Request	Potential reduction			
5	F-15 Aircraft	\$159.000	\$11.500	0	0	0
8	C-17 (Multiyear Procurement)	1,923.300	9.100	0	0	0
9	C-17 (Multiyear Procurement) Advance Procurement	278.200	12.600	0	0	0
10	EC-130J	0	0	\$52.300	0	0
11	C-130J	49.900	49.900	62.800	\$98.000	0
12	WC-130J	0	0	152.000	118.300	0
13	Joint Primary Aircraft Training System	65.400	5.500	0	0	0
17	Small VCX (C-37)	0	0	27.100	0	0
29	F-15 Modification	169.568	19.700	0	0	0
66	F-15 Post Production Support	8.100	1.100	0	0	0
69	War Consumables	67.565	8.532	0	0	\$1.321
	Total	\$2,721.033	\$117.932	\$294.200	\$216.300	\$1.321

F-15 Aircraft (Line 5)

The Air Force's fiscal year 1998 budget request of \$159 million for the F-15E aircraft program can be reduced by \$11.5 million because an equivalent amount of prior year funds is available to meet fiscal year 1998 program requirements.

DOD withheld \$58.5 million from the program--\$51.4 million added to the fiscal year 1997 program and \$7.1 million from the fiscal year 1996 appropriation. Program officials stated that \$39.6 million of the withheld funds was excess to program requirements, and DOD requested that the remaining \$18.9 million be reprogrammed to provide long lead procurement funds to procure three aircraft in fiscal year 1998.

The fiscal year 1997 Emergency Supplemental Appropriations Act included a rescission of \$21 million in fiscal year 1997 funds, and according to the DOD, \$19.9 million in fiscal year 1997 and \$6.1 million in fiscal year 1996 funds were reprogrammed. If the remaining \$11.5 million is not reprogrammed, it can be used to offset the fiscal year 1998 request.

C-17 (Multiyear Procurement) (Line 8)

The Air Force's fiscal year 1998 budget request of \$1,923.3 million for the C-17 program can be reduced by \$9.1 million because an equivalent amount of prior year funds is available to meet fiscal year 1998 program requirements.

The C-17 program office's financial execution forecast includes \$9.1 million in fiscal year 1997 and 1996 funds that is not planned for obligation until after the obligational authority has expired. The forecast shows that the C-17 program office does not plan to obligate \$4.1 million in fiscal year 1997 funds until November 1999 and \$5 million in fiscal year 1996 funds until December 1998. Aircraft procurement funds must be obligated during the first 3 fiscal years of their availability. Since these funds are not scheduled to be used for the program before their obligational authority expires, they can be used to offset the Air Force's fiscal year 1998 budget request.

DOD did not agree with the reduction and noted that according to the Air Force, the C-17 program has no funds forecast for obligation after obligational authority expires. It did not provide additional documentation to support its position.

C-17 (Multiyear Procurement) Advance Procurement (Line 9)

The Air Force's fiscal year 1998 budget request of \$278.2 million for C-17 advance procurement can be reduced by \$12.6 million because the request is overstated by

## ENCLOSURE I

## ENCLOSURE I

\$7.3 million and \$5.3 million in prior year funds are available to meet fiscal year 1998 program requirements.

Due to favorable contract negotiations, the fiscal year 1998 budget request for advance procurement for contractor-furnished equipment is overstated by \$7.3 million; \$263.1 million was requested for lot 11, but the contract option was negotiated for \$255.8 million. In addition, these favorable negotiations resulted in \$1.9 million and \$3.4 million being excess to requirements in fiscal year 1997 for lot 10 and in fiscal year 1996 for lot 9 advance procurement buys, respectively. According to DOD, these funds were used to offset a shortfall in the government-furnished equipment advance buy requirement; however, it did not provide additional documentation to support its position. Therefore, the fiscal year 1998 advance procurement request can be reduced by \$7.3 million, and the \$1.9 million in excess fiscal year 1997 funds and the \$3.4 million in excess fiscal year 1996 funds can be used to offset the fiscal year 1998 budget request.

### EC-130J (Line 10)

Of the Air Force's fiscal year 1997 appropriation to procure one EC-130J aircraft, \$52.3 million can be rescinded because excess C-130 aircraft currently in the inventory can be modified to the EC-130J configuration.

An Air Force analysis concluded that the existing inventory of C-130 aircraft exceeds the Air Force's current requirement by 14 percent. Program officials stated that they had not prepared a cost estimate to convert existing model C-130 aircraft to this special operations version because there was no operational requirement to do so. They have, however, estimated that it would cost about \$18.1 million to convert the newest C-130 model, the J, to this specialty type aircraft. A headquarters Air Force official stated that the cost to modify an existing C-130 model to this specialty model should be similar to the J model conversion cost, \$18.1 million an aircraft. The Air Force did not request funds for the program in fiscal year 1998. Therefore, if an excess C-130 aircraft is modified to meet the EC-130J mission requirement at approximately \$18.1 million, \$52.3 million can be rescinded from the fiscal year 1997 appropriation. DOD had no objection to this issue but noted that modification costs have increased. It did not provide additional documentation to support its position.

### C-130J (Line 11)

The Air Force's fiscal year 1998 budget request of \$49.9 million for one C-130J aircraft can be denied and \$160.8 million in prior year funds can be rescinded because excess C-130 aircraft can meet this requirement. This potential rescission includes \$62.8 million in fiscal year 1997 funds and \$98 million in fiscal year 1996 funds.

## ENCLOSURE I

## ENCLOSURE I

The previously discussed Air Force analysis also estimated that the Air Force could save about \$70 million a year if the excess aircraft were removed from the inventory and the remaining aircraft were restationed according to the Aircraft Master Stationing Plan. These savings should more than offset any contract termination costs for the procurement of two aircraft with fiscal year 1996 funds. Additionally, the C-130J is a commercially produced aircraft with direct sales to foreign countries and, therefore, should sustain production. The Air Force plans to resume its buy of the aircraft in fiscal year 2002. DOD had no objection to this reduction.

### WC-130J (Line 12)

Of the Air Force's fiscal year 1997 and 1996 appropriations for three WC-130J aircraft each year, \$152 million and \$118.3 million, respectively, can be rescinded because excess C-130 aircraft can be modified to the WC-130J configuration.

As stated previously, according to an Air Force analysis, the existing inventory of C-130 aircraft exceeds the Air Force's current requirement by 14 percent. Program officials stated that they had not prepared a cost estimate of converting C-130E or H models to a weather reconnaissance version of a C-130 (W) because there was no approved operational requirement to do so. They have, however, estimated that it would cost about \$4.5 million to convert the newest C-130 model (J) to a weather aircraft. An Air Force headquarters official stated that the cost to modify an existing model to perform the weather mission should be similar to the J model conversion cost, \$4.5 million an aircraft. Thus, it would cost an estimated \$27 million to convert six excess aircraft to the WC-130 type aircraft. Therefore, if \$27 million is designated for the modification of six aircraft, the remaining \$270.3 million can be rescinded. DOD had no objection to this reduction.

### Joint Primary Aircraft Training System (Line 13)

The Air Force's fiscal year 1998 budget request of \$65.4 million for the Joint Primary Aircraft Training System can be reduced by \$5.5 million by postponing the procurement of two aircraft until fiscal year 1999. Deferring this procurement would not increase the unit cost of the fiscal year 1998 buy and would result in a more cost efficient rate for the future buy.

The Air Force plans to buy 18 aircraft in fiscal year 1998, but under the contract terms, it can procure as few as 16 aircraft in fiscal year 1998 without increasing the aircraft unit cost of \$2.7 million. Deferring the buy of two aircraft to fiscal year 1999 would increase the quantity in fiscal year 1999 from 12 to 14, which, under the contract terms, would result in a reduction of the unit price from \$2.9 million to \$2.8 million in fiscal year 1999. By acquiring 16 aircraft in fiscal year 1998 and 14 aircraft



## ENCLOSURE I

## ENCLOSURE I

in fiscal year 1999, the Air Force would still acquire 30 aircraft but would incur a net saving of \$1.4 million. DOD did not agree with the reduction but did not provide additional information or documentation to support its position. Therefore, the fiscal year 1998 budget request can be reduced by \$5.5 million.

### Small VCX (C-37) (Line 17)

Of the Air Force's fiscal year 1997 appropriation for the C-37A aircraft, \$27.1 million can be rescinded due to favorable contract negotiations. A program official told us the contract to procure two C-37A aircraft was awarded for an amount less than the amount appropriated and, therefore, \$27.1 million is excess to program requirements. DOD included \$27 million in fiscal year 1997 funds in the fiscal year 1997 omnibus reprogramming request, but it was not approved. DOD did not agree with the reduction but did not provide additional information or documentation to support its position. Since the fiscal year 1997 funds are not needed for excess the program and no funds are requested in fiscal year 1998, the fiscal year 1997 funds can be rescinded.

### F-15 Modification (Line 29)

The Air Force's fiscal year 1998 request of \$169.6 million to modify F-15 aircraft can be reduced by \$19.7 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements. The Air Force canceled two modifications—a Global Positioning System modification to the C/D model aircraft and an improved heads up display modification. The fiscal year 1997 appropriation, however, included \$19.7 million for these two modifications. According to program officials, the \$19.7 million is excess to program requirements, and Air Force headquarters is withholding these funds with plans to reprogram them. DOD informed us that the \$19.7 million had been used for other purposes. DOD included \$6.3 million in fiscal year 1997 funds for the canceled Global Positioning System modification in the fiscal year 1997 omnibus reprogramming request, but it was not approved. Since the \$19.7 million will not be used for modifications as originally requested, it can be used to offset the fiscal year 1998 budget request.

### F-15 Post Production Support (Line 66)

The Air Force's fiscal year 1998 budget request of \$8.1 million for F-15 post production support can be reduced by \$1.1 million because fiscal year 1998 program requirements are overstated. F-15 production will continue with the procurement of attrition aircraft; therefore, funds requested for the contractors to plan for the disposition of tooling and government-furnished equipment will not be needed. Program officials agreed that the request is overstated but said the \$1.1 million could be used to meet other requirements. Since the funds will not be needed to plan for the disposition of



## ENCLOSURE I

## ENCLOSURE I

tooling and government-furnished equipment, they can be used to offset the fiscal year 1998 budget request.

### War Consumables (Line 69)

The Air Force's fiscal year 1998 budget request of \$67.6 million for war consumables can be reduced by \$8.5 million because the request is overstated by \$3.1 million and \$5.4 million in prior year funds are available to meet fiscal year 1998 program requirements.

The fiscal year 1998 budget request for towed decoy rounds is overstated by \$3.1 million because these funds are not needed for engineering change proposals. Towed decoy program officials told us that the \$3.1 million is needed to cover previously undisclosed requirements and the government's share of potential cost overruns. However, they have no indication at the present time that an overrun will occur. The fiscal year 1997 and 1996 estimate for engineering change proposals is about 7.8 percent of the total amount of funds appropriated and requested. This percentage is over twice the rate used for engineering change proposals for other parts of the towed decoy system, such as the launchers and controllers. In addition, the recent initial operational test and evaluation report on the system did not indicate that any engineering changes were required. According to program officials, \$3 million and \$2.4 million in unobligated fiscal year 1997 and 1996 funds, respectively, are no longer needed to meet program requirements. DOD included \$2 million of fiscal year 1997 funds in the fiscal year 1997 omnibus reprogramming request, but it was not approved. Therefore, \$3.1 million can be reduced from the fiscal year 1998 budget request, and \$5.4 million in excess prior year funds can be used to offset the fiscal year 1998 budget request.

The program also has \$1.3 million in unobligated fiscal year 1995 funds that are no longer needed to meet program requirements. Authority to spend these funds will expire if they are not obligated by September 30, 1997; therefore, these funds are available for reprogramming or rescission during the remainder of fiscal year 1997.

DOD did not agree with the reduction and noted that the fiscal year 1995 funds were used for other purposes. It did not provide additional information or documentation to support its position.

### Ammunition Procurement, Air Force

The Air Force requested \$0.4 billion for ammunition procurement programs in fiscal year 1998. As shown in table I.10, we identified potential reductions of \$28.5 million

to the fiscal year 1998 request for two line items. We did not identify any potential rescissions in prior year appropriations.

Table I.10: Potential Reductions to Air Force Ammunition Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998	
		Request	Potential reduction
20	Joint Direct Attack Munition	\$61.307	\$19.143
21	Wind Corrected Munitions Dispenser	19.871	9.406
	Total	\$81.178	\$28.549

Joint Direct Attack Munition (Line 20)

The Air Force's fiscal year 1998 budget request of \$61.3 million for the Joint Direct Attack Munition can be reduced by \$19.1 million if the minimum contract option is exercised to more closely align the procurement with the Joint Programmable Fuze buy. The new fuze is to be used with the Joint Direct Attack Munition to allow pilots to select or change functions from the cockpit. The Air Force can exercise its contract option to buy the minimum of 1,635 kits for \$29.9 million instead of the proposed 2,673 kits for \$49 million at a small decrease in unit cost (about \$63 per unit).

Air Force officials did not agree with the reduction and noted that the Joint Direct Attack Munition was required to be compatible with the Joint Programmable Fuze but could function with other fuzes already in the inventory. Although less capable fuzes can be used with the munition, about 81 percent of its Joint Direct Attack Munition could be equipped with the new fuze. If the Air Force proceeds with its current procurement plan in 1998, there will not be a sufficient number of fuzes to equip the number of the Joint Direct Attack Munition the Air Force will have on order. Only about 41 percent will have the new fuze. On the other hand, if the Air Force procures the minimum quantity of the kits, about 58 percent will have the more capable fuze and the Air Force will be closer to its goal. Therefore, the fiscal year 1998 budget request can be reduced by \$19.1 million.

DOD did not agree with the reduction and stated that the lower procurement level would impact the Air Force's ability to provide conventional capability to the bomber force. However, if the lesser quantities are ordered, the Air Force would have 2,572 kits (including the 937 bought for 1997) which would provide initial capability for B-1

and B-52 bombers. The Air Force already has a guided munition to provide capability to the B-2 bomber.

Wind Corrected Munitions Dispenser (Line 21)

The Air Force's fiscal year 1998 budget request of \$19.9 million for the Wind Corrected Munition Dispenser can be reduced by \$9.4 million because fiscal year 1998 program funding requirements are overstated.

Funding requested for 280 initial production units can be reduced by \$7.4 million because the Air Force estimated the hardware cost before it had received the competing contractors' estimates. The Air Force requested \$12 million for tactical units, but it now estimates that it can buy the units for \$4.7 million. Program officials agreed that \$7.4 million was excess to the procurement request.

In addition, the \$4.1 million fiscal year 1998 funding request to buy 128 safe separation units for flight certification testing can be reduced by \$2.6 million based on the revised unit costs. Officials responsible for flight certification stated that they now need additional certification units—38 tactical units and 163 separation units. Based on projected delivery and test schedules, procurement of 163 additional separation units could be deferred until fiscal year 1999. The 38 additional tactical units, which have a longer production lead time, could be purchased for about \$503,000. If the buy of the 38 tactical units is approved, the remaining \$2.1 million can be reduced from the fiscal year 1998 budget request. According to DOD, the Air Force wants to use \$7.6 million of the \$9.4 million for other purposes and agreed that \$1.8 million is not needed for the program. DOD did not provide additional information or documentation for its position; therefore, we continue to believe the \$9.4 million reduction was warranted.

Missile Procurement, Air Force

The Air Force requested \$2.6 billion for missile procurement programs in fiscal year 1998. As shown in table I.11, we identified potential reductions of \$125.6 million to the fiscal year 1998 request for six line items. We did not identify any potential rescissions in fiscal year 1997 or 1996 appropriations; however, we did identify \$8.6 million in potential rescissions from expiring fiscal year 1995 appropriation for three line items.

## ENCLOSURE I

## ENCLOSURE I

Table I.11: Potential Reductions and Rescissions to Air Force Missile Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1995)
		Request	Potential reduction	
5	Advanced Medium Range Air-to-Air Missile	\$117.768	\$6.579	\$5.288
16	Spares and Repair Parts	28.808	2.180	0.771
21	Inertial Upper Stage Space	50.000	2.600	0
22	Titan Space Boosters Space	555.300	91.200	0
23	Medium Launch Vehicles Space	165.800	20.500	0
26	Defense Support Program (Multiyear Procurement) Space	113.700	2.500	2.500
	Total	\$1,031.376	\$125.559	\$8.559

Advanced Medium Range Air-to-Air Missile (Line 5)

The Air Force's fiscal year 1998 budget request of \$117.8 million for the Advanced Medium Range Air-to-Air Missile can be reduced by \$6.6 million because the Air Force overestimated its requirements for engineering change orders.

The missile request includes an amount for engineering change order costs. The Air Force calculates this amount as a percentage of total recurring hardware costs. However, program officials said that for fiscal year 1998 they used \$10 million, the amount used in the fiscal year 1994 budget request, as their engineering change order cost estimate. According to these officials, they believed fiscal year 1998 program conditions would be similar to those in fiscal year 1994 when improvements were being incorporated in the system. We found that the quantities and associated hardware costs for fiscal year 1994 were much higher than those budgeted for fiscal year 1998; therefore, we question its use as a comparable year. Based on the Air Force's methodology normally used and our analysis of program data, we calculated the fiscal year 1998 engineering change order cost estimate as \$3.4 million, or 5 percent of the fiscal year 1998 recurring hardware costs. Using this methodology, we found the Air Force's fiscal year 1998 engineering change order cost estimate was overstated by \$6.6 million and, therefore, the fiscal year 1998 budget request can be reduced accordingly.

## ENCLOSURE I

## ENCLOSURE I

The Air Force identified \$5.3 million of its fiscal year 1995 appropriation as excess to program requirements and included that amount in the fiscal year 1997 omnibus reprogramming request. According to Air Force officials, the funds were requested for engineering change orders but were not needed. Since authority to spend these excess funds will expire if they are not obligated by September 30, 1997, they are available for reprogramming or rescission during the remainder of fiscal year 1997.

DOD did not agree with the \$6.6 million reduction but did not provide additional information or documentation to support its position.

### Spares and Repair Parts (Line 16)

The Air Force's fiscal year 1998 budget request of \$28.8 million for spares and repair parts can be reduced by \$2.2 million. The Air Force's \$1.1 million fiscal year 1998 budget request for Advanced Medium Range Air-to-Air Missile spares and repair parts can be denied, and the fiscal year 1998 budget request for spares and repair parts can be reduced by \$1.1 million because an equivalent amount of prior year funds is available to meet fiscal year 1998 program requirements.

According to the program office, the fiscal year 1998 request for the Advanced Medium Range Air-to-Air Missile initial spares requirements can be offset with \$1 million in excess fiscal year 1997 funds and \$82,000 in fiscal year 1996 excess funds. Another \$1.1 million is excess to fiscal year 1996 requirements. Therefore, the fiscal year 1998 budget request for spares and repair parts can be reduced by \$2.2 million. Additionally, according to Air Force officials, \$771,000 in fiscal year 1995 funds is excess to program requirements. Authority to spend these funds will expire if they are not obligated by September 30, 1997; therefore, they are available for reprogramming or rescission during the remainder of fiscal year 1997. DOD agreed with the reductions.

### Inertial Upper Stage Space (Line 21)

The Air Force's fiscal year 1998 budget request of \$50 million for the Inertial Upper Stage program can be reduced by \$2.6 million because an equivalent amount of fiscal year 1996 funds is available to meet fiscal year 1998 program requirements.

Air Force officials identified \$2.6 million in fiscal year 1996 funds, which was initially budgeted for engineering change orders/risk, that was declared excess to program requirements. According to program officials, these funds will be reprogrammed to fund other Air Force programs. DOD did not agree with the reduction and noted that these funds had been obligated. It did not provide additional information or documentation to support its position. If the \$2.6 million in fiscal year 1996 funds is

not reprogrammed, it can be used to offset the Air Force's fiscal year 1998 budget request.

Titan Space Boosters Space (Line 22)

The Air Force's fiscal year 1998 budget request of \$555.3 million for Titan Space Boosters can be reduced by \$91.2 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

We identified \$213.2 million in excess fiscal year 1997 funds. Of this amount, \$122 million was rescinded by the fiscal year 1997 Emergency Supplemental Appropriations Act. The remaining \$91.2 million, according to Air Force officials, was to be used to purchase three Titan IV launch vehicles; however, it is not needed because of cost savings resulting from reductions to launch requirements, program restructuring efforts, and underruns on the production contracts.

According to Air Force officials, Titan IV launch requirements decreased, in part, because of the downsizing of certain intelligence payloads that reduced the need for additional launchers. The Air Force has restructured production contracts to reflect a decrease in purchases of launch vehicles, from 44 to 41. Therefore, the \$91.2 million in fiscal year 1997 funds is excess to program requirements and can be used to offset the Air Force's fiscal year 1998 budget request if the funds are not reprogrammed.

DOD agreed that \$213.2 million in fiscal year 1997 funds was excess; however, it maintains that \$8.8 million in addition to the \$122 million was used for other purposes. Therefore, DOD stated that \$82.4 million is currently excess to the Titan program.

Medium Launch Vehicles Space (Line 23)

The Air Force's fiscal year 1998 budget request of \$165.8 million for Medium Launch Vehicles can be reduced by \$20.5 million because \$10.7 million requested for fiscal year 1998 will not be used for the purposes budgeted and \$9.8 million in prior years' funds is available to meet fiscal year 1998 program requirements.

The fiscal year 1998 budget request is overstated by \$10.7 million because, according to program officials, expected costs associated with launch operations are overstated by \$4.5 million and \$6.2 million that the Air Force planned to use for Delta launch failure recovery efforts is no longer needed. The Air Force indicated that it plans to use \$5.2 million of the \$10.7 million for an unscheduled fifth launch in fiscal year 1998. The Air Force also identified \$2.6 million in excess fiscal year 1997 funds—\$1.7 million resulting from lower than expected cost growth and \$900,000 that was identified for

Delta launch failure recovery efforts—that was no longer needed. Additionally, \$7.2 million in fiscal year 1996 funds was identified for the recovery effort, but the funds are no longer needed. According to Air Force officials, \$2 million of the excess fiscal year 1996 funds may be used for other Air Force contingencies. If the excess prior year funds are not reprogrammed, they can be used to offset the Air Force's fiscal year 1998 budget request. DOD did not agree with the reduction but did not provide additional information or documentation to support its position.

Defense Support Program (Multiyear Procurement)  
Space (Line 26)

The Air Force's fiscal year 1998 budget request of \$113.7 million for the Defense Support Program can be reduced by \$2.5 million because fiscal year 1998 program requirements are overstated.

The Air Force requested \$2.5 million in fiscal year 1998 for research studies to identify modifications needed to launch the satellite on the Evolved Expendable Launch Vehicle in fiscal year 2003. A program official stated that these funds are no longer needed. Therefore, the Air Force's fiscal year 1998 budget request can be reduced by \$2.5 million. Of the Air Force's fiscal year 1995 appropriation for the Defense Support Program, \$2.5 million can be rescinded because these funds are excess to program requirements. The authority to spend these funds will expire if they are not obligated by September 30, 1997, and therefore, they are available for reprogramming or rescission during the remainder of fiscal year 1997. DOD agreed with this reduction.

DEFENSE-WIDE PROCUREMENT PROGRAMS

DOD requested \$1.7 billion for Defense-wide procurement programs in fiscal year 1998. As shown in table I.12, we identified a potential reduction of \$51.2 million to the fiscal year 1998 request for one item. We did not identify any potential rescissions from prior years' appropriations.



Table I.12: Potential Reduction to Defense-wide Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998	
		Request	Potential reduction
47	C-130 Modifications	\$96.592	\$51.185
	Total	\$96.592	\$51.185

C-130 Modifications (Line 47)

The Special Operations Command's \$96.6 million fiscal year 1998 budget request includes \$51.2 million for the Directional Infrared Countermeasures system in the C-130 Modification line that can be denied if the second lot of 21 systems is not procured until fiscal year 1999.

The program has experienced several program slippages since it began. Currently, developmental flight testing is supposed to occur in the fall of 1997, with the lot 1 production decision for 15 systems currently expected in January 1998 after completion of developmental test flights. (The Command's fiscal year 1996 appropriation included \$40.5 million to buy the 15 systems.)

The Command is requesting \$51.2 million to procure the second lot of 21 systems later in fiscal year 1998. If the fiscal year 1998 funds are provided, 36 of the total of 59 systems needed will be under contract before operational testing is completed. By performing operational testing before the procurement of additional systems, the program office would reduce the potential of procuring a large quantity of unsatisfactory systems that may require costly modifications to achieve satisfactory performance. Deferring the planned second buy until fiscal year 1999 would not cause a production break because the system is in production for the United Kingdom.

DOD disagreed. It maintains that developmental testing and an operational utility evaluation will be adequate to make the second lot production decision and that \$3.57 million of the fiscal year 1998 request is needed for operational testing. Furthermore, it maintains that deferring lot 2 production will force the contract to be renegotiated and create international political ramifications by undermining the Memorandum of Understanding the United States signed with the United Kingdom for the joint venture.

We do not oppose lot 1 production using the prior year funds of \$40.5 million. These funds are currently unexpended as a result of technical problems with the system that



## ENCLOSURE I

## ENCLOSURE I

caused schedule slips. If these funds are committed for lot 1 in January 1998 as is currently planned, fiscal year 1998 will end before these first 15 systems are installed, tested and fielded. The opportunity exists, therefore, to make the second production decision for 21 additional systems using fiscal year 1999 funds and with operational test results in hand. In this way, DOD can assure its international partner that it is committed to the program, and also demonstrate that it is committed to an operationally effective system.

POTENTIAL REDUCTIONS AND RESCISSIONS TO RESEARCH,  
DEVELOPMENT, TEST, AND EVALUATION PROGRAMS

DOD requested \$35.9 billion in research, development, test, and evaluation (RDT&E) funding for fiscal year 1998. As shown in table II.1, our review of selected budget line items in the request and prior years' appropriations identified potential reductions of \$283.3 million to fiscal year 1998 requests, potential rescissions of about \$16.1 million from the fiscal year 1997 appropriation, and \$21.5 million from the expiring fiscal year 1996 appropriation.

Table II.1: Potential Reductions and Rescissions to RDT&E Programs

Dollars in millions

	Fiscal year 1998		Potential rescission (fiscal year 1997)	Potential rescission (fiscal year 1996)
	Request <sup>a</sup>	Potential reduction		
Army	\$216.251	\$24.855	\$4.775	0
Navy	184.459	64.113	0	0
Air Force	300.909	39.300	11.300	0
Defense-wide	1,182.222	155.000	0	\$21.500
Total	\$1,883.841	\$283.268	\$16.075	\$21.500

<sup>a</sup>This is the amount requested for the budget line items for which we have identified a potential reduction.

ARMY RDT&E PROGRAMS

The Army requested \$4.5 billion for RDT&E programs in fiscal year 1998. As shown in table II.2, we identified a potential reduction of about \$24.9 million for two line items in the fiscal year 1998 request and a potential rescission of \$4.8 million from the fiscal year 1997 appropriation. We did not identify any potential rescissions from the fiscal year 1996 appropriation.

Table II.2: Potential Reductions and Rescissions to Army RDT&amp;E Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1997)
		Request	Potential reduction	
80	Follow-On to Tube-launched Optically-tracked Wire-guided (TOW)	\$13.949	\$10.155	0
104	Brilliant Anti-Armor Submunition	202.302	14.700	0
115	Longbow - Engineering Development	0	0	\$4.775
	Total	\$216.251	\$24.855	\$4.775

Follow-On to Tube-launched Optically-tracked Wire-guided (TOW) (Line 80)

The Army's fiscal year 1998 budget request of \$13.9 million for the Follow-On to Tube-launched Optically-tracked Wire-guided heavy assault weapon program can be reduced by \$10.2 million because the development contract award, and associated support activities, can be delayed until early fiscal year 1999 without adversely affecting the program's deployment schedule.

The fiscal year 1998 budget request includes \$11.7 million to support a June 1998 contract award for a 75-month engineering and manufacturing development program. However, according to project officials, the 75-program is inefficient when compared to the 66-month program the project office recently proposed. According to project office estimates, the cost of the 66-month program is \$44.2 million less than that of the 75-month program.<sup>3</sup> Pending Army approval, the project office prefers to execute the 66-month program in late June 1998 to minimize anticipated inventory shortfalls and avoid in-house inefficiency it maintains will occur if contract award is delayed to October 1998, as we recommend. DOD agreed with the Army's position.

Executing the 66-month program in October 1998, instead of June 1998, would still allow production and subsequent deployment to begin about 5 months earlier than the planned 75-month program to be executed in June 1998. It would also result in net life-cycle savings of about \$41.2 million when compared with the 75-month program and a reduction of \$10.2 million in the fiscal year 1998 request. Since the Army has

<sup>3</sup>The 66-month program's compressed schedule would require more funding in fiscal years 1999 through 2002 than currently programmed.

not released a request for proposals, production schedules could be adjusted to accommodate a 3- to 4-month schedule slip.

Project officials maintain that about \$1.5 million of the \$11.7 million is required to support a source selection board regardless when the contract is awarded. Consequently, the balance, or \$10.2 million, can be used to offset the Army's fiscal year 1998 request.

Brilliant Anti-Armor Submunition (Line 104)

The Army's fiscal year 1998 budget request of \$202.3 million for the Brilliant Anti-Armor Submunition preplanned product improvement, included in the Brilliant Anti-Armor Submunition line, can be reduced by \$14.7 million because the request includes funds to accelerate the program, despite congressional concerns about concurrency and technical risks.

As a result of congressional budget reductions for fiscal year 1997, the improvement program was restructured to slow development. The Senate Committee on Appropriations stated that the pace of the improvement program was not warranted until the basic Brilliant Anti-Armor Submunition was fully proven and successfully deployed from the Army Tactical Missile system. However, program documentation indicates that activities planned for the next phase have been moved forward with the fiscal year 1998 budget request including \$14.7 million to accelerate program activities before the basic system will be fully proven. For example, the budget request provides for some engineering and manufacturing development electronics work among other activities to be completed during the demonstration/validation phase. These activities were to begin in fiscal year 1999 after the engineering and manufacturing development phase decision. In addition, continued technical problems and the addition of three new development test flights could delay the munition's deployment from the missile.

According to DOD and the program manager, the proposed activities will not accelerate the program but will help reduce risk and costs associated with the engineering and manufacturing development phase. However, the program manager did agree that these activities were not originally planned as part of the demonstration/validation phase, but rather were scheduled to be done later, during the subsequent engineering and manufacturing development phase. He noted that if the \$14.7 million reduction was taken, the program schedule would have to be restructured again. However, to avoid acceleration of the development activities until the congressional concerns are satisfied, the fiscal year 1998 budget request can be reduced by \$14.7 million.

Longbow - Engineering Development (Line 115)

Of the Army's fiscal year 1997 appropriation for the Longbow - Engineering Development, \$4.8 million can be rescinded because these funds will not be used to develop the intended system. These funds, added for the second generation forward looking infrared system, are being withheld by DOD, which plans to reprogram the funds to another project. A program official said that the funds could be used if they are made available. Since the \$4.8 million will not be used to develop the infrared system, this amount can be rescinded if the funds are not reprogrammed.

NAVY RDT&E PROGRAMS

The Navy requested \$7.6 billion for RDT&E programs in fiscal year 1998. As shown in table II.3, we identified potential reductions of about \$64.1 million to the fiscal year 1998 request for five line items. We did not identify any potential rescissions from prior years' appropriations.

Table II.3: Potential Reductions to Navy RDT&amp;E Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998	
		Request	Potential reduction
8	Readiness, Training, and Environmental Quality Technology	\$31.762	\$1.449
20	Medical Development	18.332	1.419
35	Advanced Submarine Combat Systems Development	61.122	2.700
106	Submarine Combat System	23.701	21.335
108	SSN-21 Developments	49.542	37.210
	Total	\$184.459	\$64.113

Readiness, Training, and Environmental Quality Technology (Line 8)

The Navy's fiscal year 1998 budget request of \$31.8 million for readiness, training, and environmental quality technology can be reduced by \$1.4 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program needs. According to the Navy, these funds on withhold are not required for the program and are available for reprogramming. Since it appears the \$1.4 million will not be released

## ENCLOSURE II

## ENCLOSURE II

to the program, the excess fiscal year 1997 funds can be used to offset the fiscal year 1998 budget request if they are not reprogrammed. DOD said these funds were used to offset the fiscal year 1998 budget request but did not provide additional information or documentation to support its position.

### Medical Development (Line 20)

The Navy's fiscal year 1998 budget request of \$18.3 million for medical development can be reduced by \$1.4 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements. According to the Navy, these funds have been withheld and are not required for the program and are available for reprogramming. DOD has requested congressional approval to transfer these funds to the fiscal year 1997 Military Personnel, Navy appropriation account. Since the \$1.4 million is not needed for the program, this amount can be used to offset the fiscal year 1998 budget request if the funds are not reprogrammed. DOD agreed that the funds were available.

### Advanced Submarine Combat Systems Development (Line 35)

The Navy's fiscal year 1998 budget request of \$61.1 million for advanced submarine combat systems development can be reduced by \$2.7 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

The Navy planned to use the funds to conduct a Joint Tactical Control sea test during the fourth quarter of fiscal year 1997. That test, however, has been delayed until the third quarter of fiscal year 1999. Since authority to spend the fiscal year 1997 funds will expire if they are not obligated by September 30, 1998, they will not be available to fund the test. DOD did not agree with the reduction, noting the funds were used to offset the fiscal year 1998 budget request. However, it did not provide additional information or documentation to support its position. Therefore, the \$2.7 million can be used to offset the fiscal year 1998 budget request.

### Submarine Combat System (Line 106)

The Navy's fiscal year 1998 budget request of \$23.7 million for the Submarine Combat System can be reduced by \$21.3 million because fiscal year 1998 program requirements are overstated by \$16.2 million and \$5.1 million in fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

Delays experienced in the SSN-21 submarine program have caused the planned February 1997 AN/BSY-2 combat system technical evaluation and the planned February 1998 operational evaluation to be postponed until October 1999 and February 2000, respectively. In addition, funds will not be needed to initiate the submarine's post shakedown availability and to coordinate installation of the Joint Maritime Command Information strategy until after the authority to spend the \$5.2 million in fiscal year 1997 funds expires, due to these delays. DOD did not agree with the reduction and noted that fiscal year 1997 funds were obligated. It did not provide additional information or documentation to support its position. Therefore, the fiscal year 1998 budget request can be reduced by \$16.2 million, and the \$5.1 million in fiscal year 1997 funds can be used to offset fiscal year 1998 program requirements.

#### SSN-21 Developments (Line 108)

The Navy's fiscal year 1998 budget request of \$49.5 million for SSN-21 developments can be reduced by \$37.2 million because fiscal year 1998 requirements are overstated by \$18 million and \$19.2 million in fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

The Navy's plan to begin installation of Advanced Special Hull Treatment and system qualification and inspection during the SSN-21's post shakedown availability has been tentatively delayed until September 1998. A program official acknowledged that the fiscal year 1997 funds are available due to slippage in the schedule but stated that the fiscal year 1998 funds are needed to begin the effort in September 1998. However, due to ongoing ship delivery delays and past history, this effort is likely to slip to the first quarter of fiscal year 1999. DOD did not agree with the reduction and noted that fiscal year 1997 funds were obligated. However, it did not provide additional information or documentation to support its position. Therefore, the fiscal year 1998 budget request is overstated by \$18 million and the \$19.2 million in fiscal year 1997 funds, which will expire in September 30, 1998, can be used to offset fiscal year 1998 program requirements.

#### AIR FORCE RDT&E PROGRAMS

The Air Force requested \$14.5 billion for RDT&E programs in fiscal year 1998. As shown in table II.4, we identified potential reductions of \$39.3 million to the fiscal year 1998 request for two line items and a potential rescission of \$11.3 million from the fiscal year 1997 appropriation. We did not identify any line items for potential rescissions from the fiscal year 1996 appropriation.

## ENCLOSURE II

## ENCLOSURE II

Table II.4: Potential Reductions and Rescissions to Air Force RDT&amp;E Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1998		Potential rescission (fiscal year 1997)
		Request	Potential reduction	
92	Joint Air-to-Surface Standoff Missile (JASSM)	\$203.321	\$25.300	0
132	Advanced Medium Range Air-to-Air Missile	50.781	14.000	0
140	Airborne Warning & Control System (AWACS)	46.807	0	\$11.300
	Total	\$300.909	\$39.300	\$11.300

Joint Air-to-Surface Standoff Missile (JASSM) (Line 92)

The Air Force's \$203.3 million fiscal year 1998 budget request for the Joint Air-to-Surface Standoff Missile can be reduced by \$25.3 million because the funds are requested for engineering and manufacturing development activities planned for fiscal year 1999 and later.

The Air Force expects to present its plan for engineering and manufacturing development and select one of the competing contractors for this effort in the fourth quarter of fiscal year 1998. Of the fiscal year 1998 request, \$49.4 million is for test support, but only \$24.1 million is for testing associated with the current program definition and risk reduction phase effort. Funds requested for activities such as live fire tests, modifications to test aircraft, and targets for developmental and operational testing could be deferred until fiscal year 1999. Therefore, the fiscal year 1998 budget request can be reduced by \$25.3 million.

Program officials do not agree that the funding could be postponed. They indicated that they need \$15.8 million to begin constructing targets, equipping them with instruments for combined developmental and operational testing scheduled to begin in fiscal year 1999. They said that they also need about \$9.5 million to modify two aircraft—one for each contractor—for the missile avionics system that allows testers to simulate an inflight missile. They stated that testing planned for engineering and manufacturing development had already slipped some and that a further postponement could slip the full-rate production decision on a month-for-month basis. DOD agreed with the Air Force's position.

Our review indicated that program details are still evolving and some issues will not be settled until the Air Force receives the contractors' proposals and selects one of



them. The Office of the Secretary of Defense is not scheduled to be briefed on the Air Force's plans for engineering and manufacturing development until the fourth quarter of fiscal year 1998. The full-rate production decision is not scheduled until April 2001. The Air Force is still adding missile requirements that may alter either the kinds of targets needed or the test schedule itself, or both. According to test officials, a complete testing schedule will not be available until the competing contractors submit their designs for consideration.

According to test officials, only two targets require totally new construction; the others are modifications of existing targets. Funding requested to modify aircraft for the missile avionics systems is based on working with two contractors. However, only one contractor will build the missile avionics system during engineering and manufacturing development. By deferring these funds until fiscal year 1999, the program office can use the funding to modify aircraft for only the selected contractor.

Advanced Medium Range Air-to-Air  
Missile (Line 132)

The Air Force's fiscal year 1998 budget request of \$50.8 million for the Advanced Medium Range Air-to-Air Missile can be reduced by \$14 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

According to an Air Force official, the program office plans to postpone design, development, and testing of the defensive electronic countermeasures effort to a later phase of the development program, possibly in fiscal year 1999. As a result, \$14 million in fiscal year 1997 funds is available, \$10.3 million appropriated for the postponed effort and a related \$3.7 million in contract award fees that will be deferred. The \$14 million in fiscal year 1997 appropriations being withheld by DOD was included in the fiscal year 1997 omnibus reprogramming request, but it was not approved. Therefore, the \$14 million in fiscal year 1997 funds can be used to offset the fiscal year 1998 budget request.

Program officials do not agree that the \$14 million is available to offset the fiscal year 1998 program requirements. They told us that the program office, as recommended by the Air Force, was making considerable contract changes and restructuring the research and development program to provide the funds for the fiscal year 1997 omnibus reprogramming request. However, they said that if these funds are not reprogrammed, the program office plans to use the funding for the postponed efforts. DOD did not agree with the reduction but did not provide additional information or documentation to support its position. Since the program office has begun to

restructure the program to perform the work later in the program, these funds can be used to offset the fiscal year 1998 budget request.

Airborne Warning & Control System (AWACS) (Line 140)

The Air Force's fiscal year 1998 budget request includes \$46.8 million for the Airborne Warning and Control System. Of the Air Force's fiscal year 1997 appropriation for the system, \$11.3 million can be rescinded because the funds will not be used to initiate the re-engining program, as intended.

Funds were added to the fiscal year 1997 appropriation for the Air Force to begin a re-engining program for the Airborne Warning and Control System fleet. However, because the estimated cost to re-engine the first aircraft was substantially more than the \$25 million appropriated, DOD placed the fiscal year 1997 re-engining funds on withhold. The Air Force did not request funds for that effort in its fiscal year 1998 budget request. Air Force officials agreed that the fiscal year 1997 funds can be rescinded; however, they believe the \$25 million should be adjusted to allow for a previous general reduction of about \$1.2 million. The fiscal year 1997 Emergency Supplemental Appropriations Act included a \$12.5-million rescission of fiscal year 1997 funds. Of the remaining \$11.3 million, DOD included \$11 million in the fiscal year 1997 omnibus reprogramming request, but it was not approved. Since the \$11.3 million will not be used to initiate the re-engining program, these fiscal year 1997 funds can be rescinded. DOD agreed that these funds are available.

DEFENSE-WIDE RDT&E PROGRAMS

DOD requested \$9.1 billion for Defense-wide RDT&E programs in fiscal year 1998. As shown in table II.5, we identified potential reductions of \$155 million to the fiscal year 1998 request for four line items and a potential rescission of \$21.5 million from the expiring fiscal year 1996 appropriation. We did not identify any potential rescissions from the fiscal year 1997 appropriation.

## ENCLOSURE II

## ENCLOSURE II

Table II.5: Potential Reductions and Rescissions to Defense-wide RDT&amp;E Programs

Dollars in millions

Line no.	Description of item	Fiscal year 1998		Potential rescission (fiscal year 1996)
		Request	Potential reduction	
74	Theater High Altitude Area Defense - Theater Missile Defense - Demonstration/Validation	\$294.647	\$56.000	\$21.500
81	National Missile Defense - Demonstration/Validation	504.091	9.000	0
89	Theater High-Altitude Area Defense - Theater Missile Defense - Engineering/Manufacturing Development	261.480	60.000	0
137	Tactical Unmanned Aerial Vehicle (UAV)	122.004	30.000	0
	Total	\$1,182.222	\$155.000	\$21.500

Theater High-Altitude Area Defense - Theater Missile Defense - Demonstration/Validation (Line 74)

The Ballistic Missile Defense Organization's fiscal year 1998 budget request of \$294.6 million for the Theater High Altitude Area Defense program can be reduced by \$56 million because the request is overstated.

The Army had planned to exercise a contract option to acquire 40 User Operational Evaluation System interceptors in August 1996. The interceptors were to have been incrementally funded over a 4-year period. The fiscal year 1997 appropriation included funds for the second incremental payment, and the Army's fiscal year 1998 budget request includes \$56 million for the third payment.

The criterion for exercising the contract option is one successful intercept using the Theater High Altitude Area Defense radar. All four intercept tests to date have failed, and the next test is not scheduled until late 1997. Even if that test is successful, the contract option cannot be exercised until early 1998. Delaying the contract option until fiscal year 1998 would allow the Ballistic Missile Defense Organization to acquire performance information from Limited User Tests to determine the interceptor's operational effectiveness. Contracting for the interceptors before sufficient operational testing could result in deploying a substandard system to combat forces and/or acquiring of an unsatisfactory weapon system that may require costly modification. Because of schedule slips from test failures, it appears unlikely that the

interceptor contract option will be awarded in fiscal year 1997. The project manager said the User Operational Evaluation system funding being requested in the fiscal year 1998 budget would be carried forward into fiscal year 1999. Since the fiscal year 1997 funds can be used to initiate the contract in fiscal year 1998 and the fiscal year budget request will not be used until fiscal year 1999, the fiscal year 1998 budget request can be reduced by \$56 million. DOD agreed with the reduction but said the amount was \$46.6 million. However, the program office agreed with the \$56 million amount and noted that \$46.6 million was from the fiscal year 1997 appropriation.

The User Operational Evaluation system interceptor contract option cannot be exercised in fiscal year 1997, and the authority to spend the \$21.5 million remaining in unobligated fiscal year 1996 funds will expire if they are not obligated by September 30, 1997. The project manager said he would prefer to use the expiring fiscal year 1996 funds to fund fiscal year 1997 program requirements and carry forward the fiscal year 1997 funds into fiscal year 1998. DOD said that \$6.1 million was used for other purposes and \$15.4 million is still unobligated. However, it did not provide additional information or documentation to support its position. Therefore, these funds are available for reprogramming or rescission during the remainder of fiscal year 1997.

National Missile Defense-Demonstration/Validation  
(Line 81)

The Ballistic Missile Defense Organization's fiscal year 1998 budget request of \$504.1 million for National Missile Defense can be reduced by \$9 million because an equivalent amount of fiscal year 1997 funds is available to meet fiscal year 1998 program requirements.

The Ballistic Missile Defense Organization's fiscal year 1997 appropriation for National Missile Defense integration included \$25 million for up to three concept definition contracts for the study phase of the Lead System Integrator competition. On April 25, 1997, the Ballistic Missile Defense Organization awarded two concept definition contracts at \$8 million each for a total of \$16 million, and a budget official representing the agency stated there was no specific planned use for the remaining \$9 million. According to DOD, the \$9 million will be used to offset the Secretary's request for additional funding for this program. Since these funds will not be used to award a third concept definition contract, the \$9 million can be used to offset the fiscal year 1998 budget request.

Theater High-Altitude Area Defense - Theater  
Missile Defense - Engineering/Manufacturing  
Development (Line 89)

The Ballistic Missile Defense Organization's fiscal year 1998 budget request of \$261.5 million for the Theater High Altitude Air Defense program can be reduced by \$60 million because the request is overstated.

Flight tests failures have delayed the fiscal year 1997 planned procurement of a second Theater High Altitude Area Defense radar for the engineering and manufacturing development phase. Furthermore, the contract cannot be awarded until the decision to proceed into that phase is approved. The earliest, the engineering and manufacturing development contract can be awarded is January 1998. Therefore, the fiscal year 1998 request for \$60 million for the second incremental payment is not needed and can be denied to more closely align the program's funding with its technical progress.

In addition, during the program's current demonstration and validation phase, the Army procured 20 interceptors for flight tests. Only 15 flight tests are now scheduled; therefore, the 5 remaining interceptors are excess to the Army's needs. Because they use the same components, these five interceptors can be used to meet half of the fiscal year 1998 requirement for 10 partial interceptors that are to be used for safety and hazard assessment tests during the early engineering and manufacturing development phase. The project office agreed that five demonstration and validation interceptors could be used in the early engineering and manufacturing development tests and stated that the interceptors were estimated to cost \$3 million each or about \$15 million.

The project manager would prefer to carry forward the fiscal year 1997 funds earmarked for the second Theater High Altitude Area Defense radar into fiscal year 1998. However, the second radar cannot be procured until the second quarter of fiscal year 1999. Further, a decision on the status of the program is currently being reviewed at the DOD and Ballistic Missile Defense Organization level and could result in a complete revision of the program.

DOD agreed with the \$60-million reduction and the use of the five interceptors that we proposed. The program office plans to use the \$15 million to fund additional testing.

Tactical Unmanned Aerial Vehicle (UAV)  
(Line 137)

The Defense Airborne Reconnaissance Office's fiscal year 1998 budget request of \$122 million can be reduced by \$30 million. The \$30 million, which was included for low-rate production of up to six Outrider Tactical Unmanned Aerial Vehicle systems, can be denied because the planned commitment to low-rate production is premature.

DOD is already acquiring 6 Outrider systems with 24 aircraft as part of an Advanced Concept Technology Demonstration to evaluate the Outrider's military utility. A senior program official stated that operational demonstrations conducted as part of the advanced concept technology demonstration will provide a sufficient basis for making the low-rate initial production decision. However, the upcoming demonstration will not prove whether the Outrider can meet user needs and/or is ready for the planned low-rate initial production commitment in April 1998. Furthermore, our past work shows that awarding production contracts before operational testing has resulted in deliveries of unmanned aerial vehicle systems that are unable to meet user requirements. Therefore, the fiscal year budget request can be reduced by \$30 million.

DOD did not agree. It noted that without the \$30 million in fiscal year 1998 funds, the low-rate initial production phase would be eliminated, production representative assets would not be produced, and the production and fielding of the system would be delayed at least 1 year. However, we believe that since DOD is acquiring 6 systems with 24 airplanes, it has the opportunity to operationally test the Outrider's performance and ensure that they are operationally effective and suitable for low-rate production. Furthermore, if the Outrider is assessed positively during the Advanced Concept Technology Demonstration, DOD could modify the demonstration hardware to the production representative design for use during the operational testing and could field the residual assets to provide an interim capability. If the required changes are so significant that the Advance Concept Technology Demonstration systems cannot be made production representative, DOD guidance indicates that a new competition should be conducted.

SCOPE AND METHODOLOGY

We reviewed DOD's procurement and RDT&E programs that we identified from our ongoing assignments and the initial phase of this assignment as having cost, schedule, performance, or programmatic concerns. To achieve our objectives of identifying potential reductions to the fiscal year 1998 requests and potential rescissions of prior years' appropriations, we interviewed program officials and reviewed program documentation such as budget requests and justifications, monthly program status reports, correspondence, briefing reports, and accounting and financial reports.

We performed our work at numerous DOD and military service organizations. Some of the organizations we visited were

- Office of the Secretary of Defense and Army, Navy, Air Force, and Marine Corps headquarters, Washington, D.C.;
- Army Materiel Command, Alexandria, Virginia;
- Army Aviation and Troop Command, St. Louis, Missouri;
- Army Tank-Automotive and Armaments Command, Warren, Michigan;
- Army Missile Command and Ballistic Missile Defense Organization, Huntsville, Alabama;
- Army Space and Strategic Defense Command, Huntsville, Alabama;
- Program Executive Office, Theater Missile Defense, Huntsville, Alabama;
- Naval Air and Sea Systems Commands, Arlington, Virginia;
- Naval Undersea Warfare Center Division, Newport, Rhode Island;
- Air Force Materiel Command, Space and Missile System Center, Los Angeles, California;
- Air Force Materiel Command, Aeronautical Systems Center, Wright-Patterson Air Force Base, Ohio; and
- Air Force Materiel Command, Electronic Systems Center, Hanscom Air Force Base, Massachusetts.

MAJOR CONTRIBUTORS TO THIS LETTER

NATIONAL SECURITY AND INTERNATIONAL  
AFFAIRS DIVISION, WASHINGTON, D.C.

Robert J. Stolba, Project Director  
Wanda M. Slagle, Project Manager  
Raymond W. Allen  
Peris Cassorla  
James A. Elgas  
Daniel M. Fleming  
Gregory K. Harmon  
Thomas W. Hopp  
Richard J. Price  
Charles F. Rey  
Bruce H. Thomas  
Homer H. Thomson  
Charles A. Ward

ATLANTA FIELD OFFICE

Tana M. Davis  
Laura L. Durland  
Lee A. Edwards  
Dayna L. Foster  
Leon S. Gill  
William R. Graveline  
Bobby D. Hall  
Barbara H. Haynes  
Mark A. Lambert  
Carol T. Mebane  
Danny G. Owens  
John W. Randall, Jr.  
Wendy P. Smythe  
Dana S. Solomon  
John S. Warren, Jr.



ENCLOSURE IV

ENCLOSURE IV

BOSTON FIELD OFFICE

Raffaele Roffo  
Ralph L. Tavares  
Paul G. Williams

CHICAGO/DAYTON FIELD OFFICE

Michael W. Aiken  
Leonard L. Benson  
Edward R. Browning  
Arthur L. Cobb  
Johnetta C. Gatlin-Brown  
Robert D. Murphy  
Richard L. Strittmatter

KANSAS CITY/ST. LOUIS FIELD OFFICE

Gary L. Billen  
Charles O. Burgess  
Richard E. Burrell  
Lauri A. Kay  
Nora L. Landgraf  
Robert D. Spence

LOS ANGELES FIELD OFFICE

Carlos M. Garcia  
James C. Geibel  
Samuel L. Hinojosa  
Noel Lance  
Steve Martinez  
James D. Moses  
Lorene S. Sarne  
Allen D. Westheimer

(707214)